

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF CALIFORNIA

LEGALFORCE RAPC WORLDWIDE,  
P.C., et al.,

Plaintiffs,

v.

TRADEMARK ENGINE LLC, et al.,

Defendants.

Case No. [17-cv-07303-MMC](#)

**ORDER GRANTING DEFENDANTS'  
MOTION TO DISMISS FIRST  
AMENDED COMPLAINT; DENYING AS  
MOOT DEFENDANTS' MOTION TO  
DISMISS INITIAL COMPLAINT;  
AFFORDING PLAINTIFFS LEAVE TO  
AMEND**

Re: Dkt. Nos. 27, 53

Before the Court is defendants Trademark Engine, LLC ("Trademark Engine") and Travis Crabtree's ("Crabtree") "Motion to Dismiss Plaintiffs' First Amended Complaint," initially filed April 2, 2018, and renoticed April 16, 2018.<sup>1</sup> Plaintiffs LegalForce RAPC Worldwide, P.C. ("LegalForce RAPC") and LegalForce Inc. ("LegalForce") have filed opposition, to which defendants have replied. Having read and considered the papers filed in support of and in opposition to the motion, the Court rules as follows.<sup>2</sup>

**BACKGROUND**

In the operative complaint, the First Amended Complaint ("FAC"), plaintiffs allege that LegalForce RAPC, a law firm, "practices patent and trademark law before the USPTO [United States Patent and Trademark Office]" (see FAC ¶ 2), and that

<sup>1</sup>Defendants' motion, filed February 26, 2018, to dismiss plaintiffs' initial complaint is hereby DENIED as moot. See Bullen v. De Bretteville, 239 F.2d 824, 833 (9th Cir. 1956), cert. denied, 353 U.S. 947 (1957) (holding "amended pleading supersedes the original, the latter being treated thereafter as non-existent").

<sup>2</sup>By order filed June 12, 2018, the Court took the matter under submission.

LegalForce is a corporation "offering law firm automation and free trademark search services through its website Trademarkia.com" (see FAC ¶ 3).

Plaintiffs allege that Trademark Engine, one of LegalForce RAPC's "competitors," operates a website known as "TrademarkEngine.com," which website is "one of the largest filers of trademarks before the [USPTO]" (see FAC ¶¶ 7, 13, 19), and that defendant Crabtree, "a licensed Texas attorney," is "an alter ego of Trademark Engine" (see FAC ¶ 5). According to plaintiffs, Trademark Engine has made "false and misleading advertising statements" statements (see FAC ¶ 24), and has engaged in the "unauthorized practice of law" (see FAC ¶ 29).

On March 19, 2018, plaintiffs filed their FAC, asserting therein three Claims for Relief: (1) "False Advertising and Unfair Competition [under] the Lanham Act, 15 U.S.C. § 1125(a)"; (2) "California Unfair Competition in Violation of Cal. Bus. & Prof. Code § 17200 et seq."; and (3) "California False & Misleading Advertising in Violation of Cal. Bus. & Prof. Code § 17500 et seq. and § 17600 et seq."

The instant motion followed.

### LEGAL STANDARD

Dismissal under Rule 12(b)(6) of the Federal Rules of Civil Procedure "can be based on the lack of a cognizable legal theory or the absence of sufficient facts alleged under a cognizable legal theory." See Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th Cir. 1990). Rule 8(a)(2), however, "requires only 'a short and plain statement of the claim showing that the pleader is entitled to relief.'" See Bell Atlantic Corp. v. Twombly, 550 U.S. 544, 555 (2007) (quoting Fed. R. Civ. P. 8(a)(2)). Consequently, "a complaint attacked by a Rule 12(b)(6) motion to dismiss does not need detailed factual allegations." See id. Nonetheless, "a plaintiff's obligation to provide the grounds of his entitlement to relief requires more than labels and conclusions, and a formulaic recitation of the elements of a cause of action will not do." See id. (internal quotation, citation, and alteration omitted).

In analyzing a motion to dismiss, a district court must accept as true all material

allegations in the complaint, and construe them in the light most favorable to the nonmoving party. See NL Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986). "To survive a motion to dismiss, a complaint must contain sufficient factual material, accepted as true, to 'state a claim to relief that is plausible on its face.'" Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quoting Twombly, 550 U.S. at 570). "Factual allegations must be enough to raise a right to relief above the speculative level[.]" Twombly, 550 U.S. at 555. Courts "are not bound to accept as true a legal conclusion couched as a factual allegation." See Iqbal, 556 U.S. at 678 (internal quotation and citation omitted).

## DISCUSSION

Defendants argue that each of plaintiffs' claims is subject to dismissal.

### A. Federal Claim

The Lanham Act prohibits any "false or misleading description of fact, or false or misleading representation of fact, which . . . in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another's goods, services, or commercial activities." See 15 U.S.C. § 1125(a)(1).

In the First Claim for Relief, plaintiffs allege that defendants, in violation of the Lanham Act, have "made false and misleading descriptions and representations of fact." (See FAC ¶ 53.)

#### 1. Liability of Crabtree

At the outset, defendants contend the FAC includes no facts to support a finding that Crabtree engaged in the conduct on which the Lanham Act claim is based, i.e., that he made or is otherwise responsible for the challenged statements.

A "corporate officer or director" can be held liable for a Lanham Act violation committed by the corporate entity where the officer or director "authorize[d] or direct[ed]" the violation, or otherwise "participate[d]" in the violation. See Coastal Abstract Service, Inc. v. First American Title Ins. Co., 173 F.3d 725, 734 (9th Cir. 1999). Here, plaintiffs do not allege Crabtree engaged in any such conduct, nor, in their opposition, do they assert they could make such allegation. Rather, plaintiffs seek to base their Lanham Act claim

1 against Crabtree on the theory that he is the alter ego of Trademark Engine.

2 Under California law,<sup>3</sup> there are "two general requirements" for establishing liability  
3 under an alter ego theory; in that regard, the plaintiff must show: (1) "there [is] such unity  
4 of interest and ownership that the separate personalities of the corporation and the  
5 individual no longer exist;" and, (2) "if the acts are treated as those of the corporation  
6 alone, an inequitable result will follow." See Mesler v. Bragg Mgmt. Co., 39 Cal.3d 290,  
7 300 (1985) (internal quotation and citation omitted).

8 Here, although the FAC includes conclusory allegations that the two requirements  
9 are met (see FAC ¶¶ 5, 9), plaintiffs fail to allege sufficient facts to support those  
10 conclusions. See Twombly, 550 U.S. at 555 (requiring more than "labels and  
11 conclusions" to survive motion to dismiss). The sole facts pleaded in the FAC that  
12 address the nature of Crabtree's interest, ownership and/or control of Trademark Engine  
13 are the following: (1) his name has been listed as "the contact person" or "correspondent"  
14 on some trademark applications submitted to the USPTO on behalf of Trademark Engine  
15 clients (see FAC ¶¶ 9, 13); (2) he has supervised at least some employees of Trademark  
16 Engine (see FAC ¶¶ 10.A, 10.F); (3) he has "normally answered any type of Office  
17 Actions from the USPTO" (see FAC ¶ 10.D); and (4) Crabtree has been "practicing law"  
18 on behalf of Trademark Engine (see FAC ¶ 11). Such facts, however, are insufficient as  
19 a matter of law to support a finding of alter ego, even if the Court were to assume that  
20 Crabtree is the sole owner of Trademark Engine, an allegation plaintiffs have not made.  
21 See Katzir's Floor & Home Design, Inc. v. M-MLS.com, 394 F.3d 1143, 1149 (9th Cir.  
22 2004) (holding "mere fact of sole ownership and control does not eviscerate the separate  
23 corporate identity that is the foundation of corporate law"; observing, "[e]ven if the sole  
24 shareholder is entitled to all of the corporation's profits, and dominated and controlled the  
25 corporation, that fact is insufficient by itself to make the shareholder personally liable").

26  
27 <sup>3</sup>State law governs a district court's determination as to whether, for purposes of  
28 the Lanham Act, an individual and a corporation are alter egos. See U-Haul Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1043 (9th Cir. 1986).

## 2. Challenged Statements/Acts

The Court next considers whether, as to each challenged statement and act on which the Lanham Act claim is based, plaintiffs have sufficiently alleged a claim.<sup>4</sup>

### a. "Let the Professionals File Your Trademark Today"

Plaintiffs allege the following statement, contained in "[a]d copy," is "mislead[ing]": "Let the Professionals File Your Trademark Today." (See FAC ¶¶ 14.a.) According to plaintiffs, the statement "misleads consumers into believing that the services TrademarkEngine.com provides [are] professional or at least lawful" (see id.), but Trademark Engine "does not comply with the rules of technical or ethical standards for practice before the USPTO," such as when it allegedly "uses non-attorneys to sign off on privacy rights without [clients'] consent" (see FAC ¶ 17).

Defendants argue that plaintiffs, to the extent their claim is based on such statement, have failed to comply with Rule 9(b). In response, plaintiffs contend Rule 9(b) does not apply. Where a claim "sound[s] in fraud," however, even where fraud is not a "necessary element" of the subject cause of action, the plaintiff must comply with Rule 9(b). See Kearns v. Ford Motor Co., 567 F.3d 1120, 1125 (9th Cir. 2009). Here, plaintiffs repeatedly allege that Trademark Engine's advertisements are deceptive, for example, that Trademark Engine's "false and misleading advertisements deceive consumers into purchasing inferior services." (See FAC ¶ 41; see also FAC ¶ 29 (alleging Trademark Engine "deceiv[es] clients about what its services really are" and that its clients "are often harmed as a result"); FAC at 2:15 ("TrademarkEngine.com's advertisements deceive consumers"); FAC ¶ 21 (alleging "TrademarkEngine.com's trademark landing page is particularly deceptive"); FAC ¶ 23 (alleging "consumers are deceived" by

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<sup>4</sup>In the First Claim for Relief, wherein plaintiffs set forth the basis for their Lanham Act claim, plaintiffs do not identify each statement and act they are challenging; rather, plaintiffs "incorporate by reference" all allegations made earlier in the FAC. (See FAC ¶ 51.) In their motion, defendants identify the statements and acts on which they believe plaintiffs are basing the First Claim for Relief, and plaintiffs, in their opposition, do not dispute defendants' interpretation.

"TrademarkEngine.com's advertising").<sup>5</sup> Given such allegations, plaintiffs' false advertising claims are subject to Rule 9(b). See Kearns, 567 F.3d at 1125; see also, e.g., Mahfood v. QVC, Inc., 2007 WL 9363986, at \*3-4 (C.D. Cal. February 7, 2007) (finding allegation that defendant engaged in "deceptive advertisements" by "making, in one form or another, certain misleading and/or deceptive representations regarding [its products]" was "certainly grounded in fraud").

Plaintiffs do not contend they have complied with Rule 9(b), and they plainly have not, as plaintiffs fail to identify the nature of the "ad copy" in which the statement is assertedly found, and fail to state when such advertisement was broadcast or otherwise made available to the public. See Vess v. Ciba-Geigy Corp., USA, 317 F.3d 1097, 1106 (9th Cir. 2003) (holding "[a]verments of fraud must be accompanied by 'the who, what, when, where, and how' of the misconduct charged"). Moreover, to the extent plaintiffs may be asserting the challenged statement is located somewhere on the website operated by Trademark Engine, plaintiffs fail to allege where on the website it can be located, and, particularly, where it is located in relation to statements disclaiming that Trademark Engine provides legal services. (See FAC ¶ 22 (alleging Trademark Engine's website states that Trademark Engine "is not a law firm," that it "is not a 'substitute for an attorney or law firm'," and that it "cannot 'review [a client's] answers for legal sufficiency, draw legal conclusions, provide legal advice, opinions or recommendations about [a client's] legal rights, remedies, defenses, options, selection of forms, or strategies, or apply the law to the facts of [a client's] particular situation").)

Defendants also argue that plaintiffs' allegation that the challenged statement "give[s] consumers the impression that [Trademark Engine] provides legal advice" (see FAC ¶ 14) is insufficient to support a finding that the statement is actionable. The Court agrees. Where, as here, a plaintiff does not allege a statement is "literally false," the

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<sup>5</sup>In addition, although pleaded in support of the Second Claim for Relief, plaintiffs expressly characterize Trademark Engine's "false and misleading statements" as "fraudulent." (See FAC ¶¶ 68.e-f.)

plaintiff must establish the statement "has misled, confused, or deceived the consuming public." See Southland Sod Farms v. Stover Seed Co., 108 F.3d 1134, 1140 (9th Cir. 1997). Stated otherwise, "where the advertisements are not literally false," the plaintiff "cannot obtain relief by arguing how consumers could react; [the plaintiff] must show how consumers actually do react." See Sandoz Pharmaceuticals Corp. v. Richardson-Vicks, Inc., 902 F.2d 222, 228-29 (3rd Cir. 1990) (emphasis omitted). Plaintiffs fail, however, to allege any facts to support their conclusory assertion that the challenged statement has actually "give[n] consumers" the misleading impression that Trademark Engine provides legal advice.

Accordingly, to the extent the Lanham Act claim is based on "Let the Professionals File Your Trademark Today," the claim is subject to dismissal.

**b. "'Have a Look Around!' because 'professionals' 'help you every step of the way'"**

Plaintiffs allege that the following "statement," as described by plaintiffs, is found on Trademark Engine's website and is "misleading": "'Have a look around!' because 'professionals' 'help you every step of the way'." (See FAC ¶ 21.) According to plaintiffs, the statement is "misleading because average customers do not understand the difference between a lawyer practicing law through a law firm and through an LLC -- the former [being] legal but the latter [being] illegal." (See id.)<sup>6</sup>

Defendants argue that, to the extent the Lanham Act claim is based on such statement, it is subject to dismissal for the same reasons that the claim, to the extent based on "Let the Professionals File Your Trademark Today," is subject to dismissal. The Court agrees.

First, plaintiffs have failed to comply with Rule 9(b), as they do not identify with the requisite particularity the allegedly actionable statement. Rather, it appears plaintiffs have taken one statement, specifically, "Have a look around!," and added to it portions of

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<sup>6</sup>Plaintiffs cite no authority for the proposition that an attorney may not practice law through an LLC.

one or two other statements, specifically, the word "professionals" and the phrase "help you every step of the way," and are treating them as one statement that would convey a particular meaning to a consumer when read together. Plaintiffs fail, however, to explain how such statements appear on the Trademark Engine website, and, thus, fail to support a finding that consumers would read those particular words together.

Second, as noted, given plaintiffs do not allege the challenged statement is literally false, they must show the statement "has misled, confused, or deceived the consuming public." See Southland Sod Farms, 108 F.3d at 1140. Plaintiffs fail, however, to allege any facts to support a finding that consumers who have read the challenged "statement" have understood it as an assertion that Trademark Engine practices law in a unlawful manner.

Accordingly, to the extent the Lanham Act claim is based on "'Have a look around!' because 'professionals' 'help you every step of the way'," the claim is subject to dismissal.

### **c. Use of Keywords**

Plaintiffs allege that Trademark Engine is "among the largest purchasers of online advertising (including Google and Bing) for trademark filing-related search terms/keywords" (see FAC ¶ 19), and that it "purchases advertisements whenever consumers search terms related to the practice of trademark filing, including 'trademark search' and 'trademark registration[,] with copy that misleads consumers into believing that they will be represented by professionals or at least will provide the services by lawful means" (see FAC ¶ 20). Plaintiffs also allege that Trademark Engine also "makes false comparisons directly by purchasing keywords that include [p]laintiff LegalForce's 'Trademarkia' term, the website through which [LegalForce RAPC] perform[s] only attorney-led U.S. trademark preparation and prosecution services[,] by falsely comparing it with non-attorney unauthorized practice of law services of defendants." (See id.)

Defendants argue plaintiffs have not complied with Rule 9(b). Again, plaintiffs do not argue they have so complied, but, rather, contend Rule 9(b) does not apply, which

argument, the Court, for the reasons stated above, finds unpersuasive. Further, plaintiffs have not complied with Rule 9(b), as they have not identified the "copy" in the Google or Bing "advertisements" that "misleads consumers" (see id.) and have not stated when such advertisements were published, nor have they identified the content of any statement that "falsely compar[es]" LegalForce RAPC's services with those of Trademark Engine (see id.), or stated where and when any such comparison was made.

Further, to the extent the claim is based on a theory that consumers who, after performing an internet search using "Trademarkia," ended up viewing Trademark Engine's website, such a claim, to be cognizable under the Lanham Act, would require a showing that Trademark Engine's website was "likely to mislead consumers" into believing Trademark Engine was affiliated with plaintiffs. See TrafficSchool.com, Inc. v. Edriver, Inc., 653 F.3d 820, 827-29 (9th Cir. 2011) (affirming judgment finding defendant violated Lanham Act, where defendant's website, "DMV.org," was designed in manner "likely to mislead consumers into thinking [defendant] was affiliated with a government agency"). Here, however, plaintiffs fail to allege any facts to support a finding that such consumers would be likely to believe they were viewing a website affiliated with Legal Force.

Accordingly, to the extent the Lanham Act claim is based on the use of keywords, the claim is subject to dismissal.

## **B. State Law Claims**

### **1. Claims Based on False Advertising**

Plaintiffs' Second Claim for Relief, titled "California Unfair Competition in Violation of Cal. Bus. & Prof. Code § 17200 et seq.," is based in part on the same conduct as that on which plaintiffs base their Lanham Act claim. (See FAC ¶¶ 61, 65.b, 65.i, 66, 67, 68.e(1).) To the extent so based, plaintiffs' § 17200 claim is subject to dismissal for the reasons stated above with respect to their Lanham Act claim. See Cleary v. News Corp., 30 F.3d 1255, 1262-63 (9th Cir. 1994) (holding, where Lanham Act claim properly dismissed, § 17200 claim based on same factual allegations likewise subject to

dismissal).

Plaintiffs' Third Claim for Relief, titled "California False & Misleading Advertising in Violation of Cal. Bus. Code § 17500 et seq. and § 17600 et seq.," is based on the same conduct as that on which plaintiffs base their Lanham Act claim (see FAC ¶¶ 72-75), and, consequently, is subject to dismissal for the reasons stated above with respect to their Lanham Act claim. See Appliance Recycling Centers of America, Inc. v. JACO Environmental, Inc., 378 Fed. Appx. 652, 656 (9th Cir. 2010) (holding, where judgment properly granted in favor of defendant on Lanham Act false advertising claim, judgment in favor of defendant on § 17500 claim likewise proper).

## 2. Claims Not Based on False Advertising

In the Second Claim for Relief, plaintiffs include claims alleging defendants have violated § 17200 by "engaging in the unlawful practice of law" (see FAC ¶¶ 64, 65.h, 68.b), by "waiving" the "privacy rights" of their clients (see FAC ¶¶ 65.f, 68.e(3)), and by submitting to the USPTO "fraudulent specimens" that "include fraudulent proofs of use" (see FAC ¶¶ 65.c-d, 68.e(2)).<sup>7</sup>

To the extent the Second Claim for Relief is based on such alleged conduct, the Court, given the dismissal of plaintiffs' federal claims and the early stage of the proceedings, declines to exercise supplemental jurisdiction.<sup>8</sup> See 28 U.S.C. § 1367(c)(3) (providing, where district court has dismissed claims over which it has original jurisdiction, it may decline to exercise supplemental jurisdiction over remaining claims).

Accordingly, such claims, as included in the Second Claim for Relief, will be dismissed pursuant to § 1367(c)(3), without prejudice to refiling in state court, or, if

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<sup>7</sup>The Court understands the word "specimen" to refer to the "mark as used on or in connection with the goods or services" that is submitted for registration to the USPTO. See 37 C.F.R. § 2.56(a).

<sup>8</sup>Plaintiffs allege the Court's jurisdiction over plaintiffs' state law claims is supplemental in nature. (See FAC ¶ 6.)


plaintiffs elect to amend their federal claims, without prejudice to refiling in this action.

**CONCLUSION**

For the reasons stated above, defendants' Motion to Dismiss Plaintiffs' First Amended Complaint is hereby GRANTED and the First Amended Complaint is DISMISSED in its entirety. Plaintiffs are hereby afforded leave to amend for purposes of curing the deficiencies identified above.<sup>9</sup> Any such Second Amended Complaint shall be filed no later than August 10, 2018, and plaintiffs may not add therein any new defendants or any new claims, without first obtaining leave of court. See Fed. R. Civ. P. 15(a)(2).

**IT IS SO ORDERED.**

Dated: July 19, 2018

  
MAXINE M. CHESNEY  
United States District Judge

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<sup>9</sup>If plaintiffs file a Second Amended Complaint, they also may amend the portions of the Second Claim for Relief that have been dismissed pursuant to § 1367(c).